

**MINUTES OF THE
ECONOMIC DEVELOPMENT AND REVENUE
APPROPRIATIONS SUBCOMMITTEE**

Room 215 Senate Office Building, State Capitol Complex

February 4, 2009

Members Present: Sen. Ralph Okerlund, Co-Chairman
Rep. Sheryl Allen, Co-Chairman
Rep. Julie Fisher
Rep. Chris Herrod
Rep. Christine Johnson
Rep. Todd Kiser

Members Excused: Sen. Gene Davis
Sen. Sheldon Killpack
Rep. Jackie Biskupski

Staff Present: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Jennifer Eyring, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Rep. Allen called the meeting to order at 2:15 p.m.

Dr. Andrea Wilko explained the Budget and Issue Briefs provided for the meeting. The Issue Brief gives an overview of the business assistance services throughout the state, such as the Business Resource Centers and Small Business Development Centers. The Budget brief outlines the Administration and Business Development areas of the Governor's Office of Economic Development. The Business Resource Centers and the Custom Fit Nursing program are not funded for FY2010, and the budgets for the Manufacturers Extension Partnership and Small Business Development Centers are greatly reduced. The committee will consider these items for prioritization.

Rep. Allen relinquished the chair to Sen. Okerlund.

Governor's Office of Economic Development (GOED)

Jason Perry, Executive Director, GOED, discussed the Administration and Business Development areas of the office. GOED's *2008 Annual Report* was distributed to the committee. The three budget areas are Business Growth, Business Creation, and Business Recruitment. Every program has detailed performance measurements which he argues can show the return on investment. The Kauffman Foundation ranked Utah as the #1 most dynamic

economy in the United States for the second year. Over 120 companies are actively looking at the state. The Office focuses on 7 economic clusters: Aviation and Aerospace, Defense and Homeland Security, Life Sciences, Outdoor Products and Recreation, Software Development and Information Technology, Energy and Natural Resources, and Financial Services. Incentive programs are post performance incentives and GOED targets businesses that would be the best fit for the state. With funds from the Industrial Assistance Fund, the Rural Fast Track program has 10 projects creating 70 jobs in rural Utah. International trade has expanded with a 38% increase in exports, an amount of over 10 billion dollars.

Mr. Perry made the following requests:

- Non-lapsing authority
- \$100,000 for Science camps
- \$350,000 for the World Trade Center
- \$605,000 for the Health Insurance Initiative

Questions from the committee were addressed. The World Trade Center was explained. Lew Cramer, President and CEO, World Trade Center, brings unique skills and experience to the state. The post performance incentive process was further explained.

Recruitment and Incentives

Derek Miller, Managing Director, Recruitment and Incentives, GOED, provided the committee with two handouts concerning Corporate Recruitment and Incentives, and Rural Fast Track. The bar chart comparing incentives granted, new state revenue, capital investment, and new state wages by year was explained. The final chart shows the results of this program by incentives paid, jobs created, new state tax revenue, and new state wages paid. Mr. Miller also noted that the jobs being created through the program are high paying jobs. Questions concerning types of jobs created, the current economy, and the different types of funding programs were addressed. A little less than half of the companies receiving incentives are Utah grown companies.

Mr. Perry commented on the change in the Economic Development Tax Increment Financing (EDTIF) program from cash back to a tax credit program and the effort to get all of the contracts converted.

Rural Fast Track

Counties with less than 30,000 people and less than \$60,000 median household income can qualify for Fast Track grants for job creation or business expansion assistance. The program has been in place for one year and has created 94 new jobs. Along with increased employment, wages have also increased in these rural counties. Some examples were discussed.

Business Resource Centers

Gary Harter, Managing Director, Clusters Initiative, GOED, provided a copy of the presentation to the committee. The Business Resource Centers were created last year. The five basic functions, the need for the centers, and the services provided were covered. The centers help coordinate the local resources so that business can go to one location to find needed information. Three centers were started: Davis Business Alliance, Utah Valley University, and Southern Utah University.

Steve Roy, Central Region TOIP Director, USTAR, explained how leads are generated, focused, and matured into projects.

GOED and USTAR have worked together on getting the Business Resource Centers started up. Questions from the committee were addressed.

Manufacturing Extension Partnership

Dave Sorensen, Executive Director, MEP, assisted by Craig Peterson, MEP, discussed the important role that manufacturing plays in the state. Most manufacturers in Utah are small businesses. Manufacturing has declined over the last decade from 12.4% of Utah's economy to 9.9%. Questions from the committee concerning the drop in manufacturing were addressed. About 12% of manufacturing businesses are lost each year. A small number of those leave the state or are acquired by other business, with the remainder going out of business. It was reported that those businesses receiving assistance from MEP do significantly better. It was noted that MEP shows a consistent return on investment through a third party auditor. Further questions from the committee were addressed.

UVU Business Resource Center

Rep. Stephen Clark spoke in behalf of the UVU Business Resource Center. A background of the creation and reasons for the center was explained. Twelve economic development agencies will be on the governing board. The resource center has been awarded a Federal grant for a new building. The responsibilities and plans of the center were outlined. Rep. Clark expects that the outcome will be an increase in the tax base, higher paying jobs, better coordination of business resources, an elimination of duplication, increased communication, and the ability to maximize business growth.

Utah Fund of Funds

Jeremy Neilson, Managing Director, Utah Fund of Funds, and Peggy Wallace, Utah Capital Investment Corporation, discussed the Utah Fund of Funds program. The objective is to increase venture capital for Utah business without invoking tax credits or state funds. Deutsche Bank invests in the program with state tax credits as collateral. The money is invested in private

equity and venture capital funds, either based in Utah or those looking for Utah companies to invest in. The Fund has committed \$99.5 million to 23 Funds, with \$45 million actually invested. The Fund is a long term investment, structured like a mutual fund, where the investment is diversified. Data on job creation, return on investment, and attention of outside funds to Utah companies was presented. Other states are looking at Utah's program. Proposed legislation, SB 160, sponsored by Sen. Jenkins, was explained. Questions from the committee concerning jobs and the economy were addressed. How the fund works and the potential risks were discussed in greater detail.

The next meeting will be at the State Tax Commission and the State Library.

MOTION: Rep. Fisher moved to adjourn the meeting. The motion was approved unanimously with Sen. Davis, Sen. Killpack, and Rep. Biskupski absent for the vote.

Sen. Okerlund adjourned the meeting at 4:07 p.m.

Sen. Ralph Okerlund, Co-Chair

Rep. Sheryl L. Allen, Co-Chair